



ALABAMA

HISTORICAL
COMMISSION

THE STATE HISTORIC PRESERVATION OFFICE

Protect, Preserve and Interpret Alabama's Historic Places



Historic Preservation Tax Incentives

For Owning and Rehabilitating Buildings in Alabama

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Historic Preservation Tax Incentives

Property tax benefit for OWNING historic buildings

- All historic buildings may be designated Class III, the lowest property classification

Federal tax incentive for REHABILITATING historic buildings

- Tax credit may be earned for rehabbing income-producing historic buildings



Property Tax Benefit for Historic Buildings

Code of Alabama 40-8-1 Section 2

- Designates all historic buildings as Class III property, regardless of use. Assessment rate for ad valorem tax purposes is 10%
- Historic = buildings determined eligible for listing in the National Register (NR) or already listed in the NR (individually or contributing to a district)



Property Tax Benefit for Historic Buildings

Code of Alabama 40-8-1 Section 2

- Complete the application and send to AHC
- AHC reviews application for eligibility and issues letter to owner
- Present letter to Revenue Commissioner for reassessment
- Rehabilitation of building is not required



Property Tax Benefit for Historic Buildings

Code of Alabama 40-8-1 Section 2

Application

Please Review the Instructions

- For buildings already listed in NR: fill out first page of application and attach a copy of the NR description, district map, and current photos
- For buildings not listed in NR: provide a physical description of building, history, reason it is eligible for NR, location map, and current photos



Federal Rehabilitation Tax Credit

20% Tax Credit

Buildings must be:

- Listed in the National Register of Historic Places
- Have income-producing use
- Be substantially rehabilitated
- Get certified by NPS





Federal Rehabilitation Tax Credit

Buildings must be eligible for the program

Listed in the National Register of Historic Places

May be *individually* listed or a *contributing resource* in an historic district

Used for income-producing purposes

May be office, retail, hotel, restaurant, rental-residential



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Federal Rehabilitation Tax Credit



Projects must be **SUBSTANTIAL**

QREs must exceed the GREATER of \$5,000
or the adjusted basis

$$A - B - C + D = \text{adjusted basis}$$

A = purchase price of property

B = cost of land at time of purchase

C = depreciation taken for an income-producing property

D = cost of any capital improvements made since purchase

$$\$150,000 - 50,000 - 35,000 + 12,000 = \$77,000$$



Federal Rehabilitation Tax Credit



Work must follow the *Standards for Rehabilitation*

NPS guidelines for for treating historic buildings

Rehabilitation allows alterations for new use

Review of exterior and interior work and site work

Repair historic materials, features, and spaces





Federal Rehabilitation Tax Credit

Applicants must apply and get approval from NPS

Parts 1 and 2 submitted to AHC and NPS before project begins
Part 3 submitted after project is complete

Part 1	Physical description Photos of existing condition Photos keyed to existing plans	History and significance Location map
Part 2	Description of work	Drawings of proposed work
Part 3	Photos of completed work	Photos keyed to plans

Owners who undertake rehabilitation projects without prior approval from the National Park Service do so at their own risk.



Federal Rehabilitation Tax Credit



What a Tax Credit means...

Tax Credits are used toward the Applicant's federal income tax liability

Equal 20% of Qualified Rehabilitation Expenditures

Examples of Eligible Expenditures

- Arch/Eng fees
- Roofing
- Structural improvements
- Painting
- Window/door repair
- New MEP systems
- Repairs of features and finishes
- Elevators/sprinkler systems

Examples of Ineligible Expenditures

- Acquisition
- Enlargement
- New decks or porches
- Landscaping/Parking
- Cabinets/Appliances
- Furniture/Carpet (tacked)
- Window treatments
- Signage



Federal Rehabilitation Tax Credit



What a Tax Credit means...

QREs of \$100,000 equals \$20,000 tax credit

- The credit is taken ratably over five years beginning in the year the building is placed into service (prior to Tax Cuts and Jobs Act of 2017, entire credit could be claimed in first year)
- The credit can be carried back one year and forward 20 years
- There is a five-year recapture period after the building is placed into service



Federal Rehabilitation Tax Credit

Program Participants...

Applicant



State Historic Preservation Office (AHC)

Guides applicants in each state



National Park Service

Reviews applications (30+ days)
Certification decisions

Internal Revenue Service

Tax advice
Audits tax returns





Federal Rehabilitation Tax Credit



**Information about Federal Tax Incentives may be found at
the National Park Service website**

www.nps.gov/tps/tax-incentives.htm



**Technical Information on Rehabilitation may be found at
the National Park Service website**

www.nps.gov/tps/how-to-preserve.htm



Federal Rehabilitation Tax Credit

Use of Federal Tax Incentives in Alabama since 2008

FY 2008	\$ 7.7 million	9 projects
FY 2009	\$ 17.1 million	6 projects
FY 2010	\$ 4.9 million	7 projects
FY 2011	\$ 5.6 million	4 projects
FY 2012	\$ 4.4 million	3 projects
FY 2013	\$ 6.6 million	5 projects
FY 2014	\$ 11.4 million	7 projects
FY 2015	\$ 19.8 million	5 projects
FY 2016	\$ 46.1 million	11 projects
FY 2017	<u>\$ 40.1 million</u>	<u>11 projects</u>
	\$ 163.7 million	68 projects



Federal Rehabilitation Tax Credit

Certified Rehabilitation

Certified by NPS: 07/14/17

Qualified Rehab Expenditures: \$173,829

267 North Warren Street, Mobile

New use: Rental residential

Federal Tax Credit: \$34,766





Federal Rehabilitation Tax Credit

Certified Rehabilitation

267 North Warren Street, Mobile



Before



After



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Federal Rehabilitation Tax Credit

Certified Rehabilitation

267 North Warren Street, Mobile

263 North Warren Street
265 North Warren Street



Protect, Preserve and Interpret Alabama's Historic Places



Federal Rehabilitation Tax Credit

Certified Rehabilitation

Certified by NPS: 05/01/18

Qualified Rehab Expenditures: \$ 606,202

Vaughan-Woolworth Building, Selma

New use: Restaurant/Rental residential

Federal Tax Credit: \$ 121,240





Federal Rehabilitation Tax Credit

Certified Rehabilitation

Vaughan-Woolworth Building, Selma

Before



After





Federal Rehabilitation Tax Credit

Certified Rehabilitation

Vaughan-Woolworth Building, Selma

Before

After



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